

ASSEMBLY BILL

No. 64

**Introduced by Assembly Members Bonta, Cooley, Jones-Sawyer,
Lackey, and Wood**

December 12, 2016

An act to amend Sections 19334, 26070, 26151, 26152, 26153, and 26154 of, to add Sections 14235.5 and 19322.5 to, and to add Article 12 (commencing with Section 19349) to Chapter 3.5 of Division 8 of, the Business and Professions Code, and to amend Section 11362.775 of the Health and Safety Code, relating to cannabis.

LEGISLATIVE COUNSEL’S DIGEST

AB 64, as introduced, Bonta. Cannabis: medical and nonmedical: regulation and advertising.

(1) Existing law, the Medical Cannabis Regulation and Safety Act (MCRSA), authorizes a person who obtains both a state license under the MCRSA and the relevant local license to engage in commercial medical cannabis activity pursuant to those licenses, as specified. Under the MCRSA, responsibility for the state licensure and regulation of commercial medical cannabis activity is generally divided between the Bureau of Marijuana Control (bureau) within the Department of Consumer Affairs, which serves as the lead state agency and administers provisions relating to the transportation, storage unrelated to manufacturing activities, testing, distribution, and sale of medical cannabis; the Department of Food and Agriculture, which administers provisions relating to the cultivation of medical cannabis; and the State Department of Public Health, which administers provisions relating to the manufacturing of medical cannabis.

This bill would specify that licensees under the MCRSA may operate for profit or not for profit.

(2) Existing law, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), an initiative measure enacted by the approval of Proposition 64 at the November 8, 2016, statewide general election, authorizes a person 21 years of age or older to possess and use up to 28.5 grams of marijuana and up to 8 grams of concentrated cannabis, and to possess up to 6 living marijuana plants and the marijuana produced by those plants, subject to certain restrictions, as specified. AUMA also authorizes a person who obtains a state license under AUMA to engage in commercial marijuana activity, which does not include commercial medical cannabis activity, pursuant to that license and applicable local ordinances. AUMA generally divides responsibility for the state licensure and regulation of commercial marijuana activity between the bureau, the Department of Food and Agriculture, and the State Department of Public Health, and requires those state licensing authorities to begin issuing licenses by January 1, 2018. AUMA authorizes legislative amendment of its provisions with a $\frac{2}{3}$ vote of both houses, without submission to the voters, to further its purposes and intent.

This bill would declare that its provisions further the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act.

Both the MCRSA and AUMA require state licensure to engage in retail sale or delivery. Under the MCRSA, persons may engage in those activities with respect to medical cannabis with a Type 10, or “dispensary,” or Type 10A, or “producing dispensary,” license. Under AUMA, persons may engage in those activities with respect to nonmedical marijuana with a Type 10, or “retailer,” or Type 12, or “microbusiness,” license.

This bill would specify that a dispensary, producing dispensary, or retailer license may be issued for storefront locations with direct physical access for the public or nonstorefront locations without direct physical access for the public.

AUMA prescribes various restrictions and requirements on the advertising or marketing of marijuana and marijuana products applicable to commercial marijuana licensees under that act. These restrictions and requirements include, among other things, a prohibition on advertising or marketing on a billboard or similar advertising device located on an interstate highway or state highway that crosses the border of any other state.

This bill would expand that prohibition to apply to advertising or marketing on all interstate highways or state highways and would apply those restrictions and requirements, with this expanded prohibition, to all entities regardless of licensure under AUMA. The bill would place similar restrictions and requirements on the advertising or marketing of medical cannabis and medical cannabis products.

This bill would make related legislative findings and declarations, which include a statement that the bill furthers the intent of AUMA.

(3) Existing law, the Model State Trademark Law, provides for the registration of trademarks and service marks with the Secretary of State and requires the classification of goods and services for those purposes to conform to the classifications adopted by the United States Patent and Trademark Office.

This bill, for purposes of marks for which a certificate of registration is issued on or after January 1, 2018, would, notwithstanding those provisions, authorize the use of specified classifications for marks related to medical cannabis and nonmedical cannabis goods and services that are lawfully in commerce under state law in the State of California.

(4) AUMA, commencing January 1, 2018, imposes a tax on the purchase of marijuana, marijuana products, medical cannabis, and medical cannabis products and a separate tax on the cultivation of marijuana and medical cannabis, and requires revenues from those taxes to be allocated for specified purposes pursuant to a specified schedule. Under AUMA, these allocations include an annual allocation to the Department of the California Highway Patrol beginning fiscal year 2018–19 until fiscal year 2022–23, for the purposes of establishing and adopting protocols to determine whether a driver is operating a vehicle while impaired and of making grants to public and private research institutions for the purpose of developing technology for determining when a driver is operating a vehicle while impaired, among others.

This bill would advance \$3,000,000 as a loan from the General Fund to the Department of the California Highway Patrol for use in the 2017–18 fiscal year for those purposes and would require those moneys to be repaid from California Marijuana Tax Fund.

(5) Existing law exempts qualified medical marijuana patients with valid identification cards, the designated primary caregivers of those patients, and persons with identification cards who associate within the State of California in order, collectively or cooperatively, to cultivate cannabis for medical purposes from specified criminal liability, including possession, cultivation, and transport of cannabis until one

year after the bureau posts a notice on its Internet Web site that licenses for medical cannabis activity have begun being issued.

This bill would authorize collectives and cooperatives to operate for profit or not for profit. The bill would limit the protection for collectives and collaboratives operating for profit to those collectives and collaboratives that possess a valid seller's permit from the State Board of Equalization and a valid local license, permit, or other authorization.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) In 1996, California became the first state in the nation to
4 allow the use of medical cannabis after voters approved Proposition
5 215, the California Compassionate Use Act. In 2003, California
6 enacted Senate Bill 420, the Medical Marijuana Program Act,
7 which allowed the medical cannabis industry to organize as
8 collectives and cooperatives, and provided limited protections
9 from prosecution. In 2015, California enacted the Medical Cannabis
10 Regulation and Safety Act (MCRSA), by passing Assembly Bill
11 266 (Bonta, Cooley, Jones-Sawyer, Lackey, and Wood), Assembly
12 Bill 243 (Wood), and Senate Bill 643 (McGuire). The Medical
13 Cannabis Regulation and Safety Act was the first proactive
14 regulatory framework for medical cannabis in the state's history.
15 The MCRSA was revised in 2016 with the passage of Senate Bill
16 837 and Assembly Bill 2516, which made changes to implement
17 the act and create a new cottage cultivation license.

18 (b) In 2016, two decades after the approval of Proposition 215,
19 California voters approved Proposition 64, the Control, Regulate
20 and Tax Adult Use of Marijuana Act (AUMA). The regulatory
21 system contained within AUMA was modeled after the MCRSA,
22 as approved by the Legislature in 2015, but contained policy
23 differences and did not reflect legislative amendments made to the
24 MCRSA prior to AUMA's approval. Both acts require state
25 licenses to be issued by the Department of Consumer Affairs, the
26 Department of Food and Agriculture, and the State Department of
27 Public Health, and both require compliance with local ordinances
28 regulating commercial cannabis activity.

1 (c) AUMA directs the state to begin issuing licenses to
2 businesses in the adult use cannabis industry by January 1, 2018,
3 despite having only been approved by the voters on November 8,
4 2016. This is an aggressive timeline for implementation given that
5 it leaves state licensing authorities with less than 14 months to
6 engage in the stakeholder process, determine how to regulate the
7 adult use cannabis industry and to what extent these regulations
8 should differ from those they develop for the medical cannabis
9 industry, and begin issuing multiple types of licenses under AUMA
10 and the MCRSA, two systems with significant policy differences.

11 (d) The Blue Ribbon Commission report published on July 22,
12 2015, highlighted the benefits and drawbacks of a unitary,
13 reconciled system for regulating medical and adult use cannabis,
14 suggesting that under such a system regulated businesses can reach
15 the entire market of both adult use and medical consumers under
16 one set of licenses, which would help reduce the costs of
17 compliance with regulations and enable the businesses to remain
18 competitive with the illicit market.

19 (e) Robust standards for the cultivation, manufacturing, testing,
20 distribution, and transportation of cannabis are required under both
21 the MCRSA and AUMA and should be uniform in order to protect
22 communities, the environment, public safety, and patients, while
23 easing the transition for business.

24 (f) Both the MCRSA and AUMA place local control at the core
25 of their regulatory structures, reflecting the diversity of opinions
26 surrounding medical and adult use cannabis in cities throughout
27 California. As such, the regulatory options at the state level should
28 reflect that diversity by providing for medical dispensaries, adult
29 use dispensaries, and nonstorefront dispensaries.

30 (g) AUMA provides for amendment by the Legislature when
31 consistent with and furthering the intent and text of the initiative.
32 Creating a viable regulatory structure for both medical and adult
33 use, which this act does, is core to and furthers that intent.

34 (h) It is the intent of the Legislature that this act reconcile the
35 Medical Cannabis Regulation and Safety Act and the Control,
36 Regulate and Tax Adult Use of Marijuana Act in order to protect
37 public safety, communities, patients, consumers, and the
38 environment.

39 SEC. 2. Section 14235.5 is added to the Business and
40 Professions Code, to read:

1 14235.5. (a) Notwithstanding Section 14235, for purposes of
2 marks for which a certificate of registration is issued on or after
3 January 1, 2018, the following classifications may be used for
4 marks related to medical cannabis and nonmedical cannabis goods
5 and services that are lawfully in commerce under state law in the
6 State of California:

7 (1) 500 for goods that are medical cannabis, medical cannabis
8 products, nonmedical cannabis, or nonmedical cannabis products.

9 (2) 501 for services related to medical cannabis, medical
10 cannabis products, nonmedical cannabis, or nonmedical cannabis
11 products.

12 (b) For purposes of this section, the following terms have the
13 following meanings:

14 (1) “Medical cannabis” and “medical cannabis products” have
15 the meanings provided in Section 19300.5.

16 (2) “Nonmedical cannabis” and “nonmedical cannabis products”
17 have the meanings provided for “marijuana” and “marijuana
18 products,” respectively, in Section 26001.

19 SEC. 3. Section 19322.5 is added to the Business and
20 Professions Code, to read:

21 19322.5. A licensee may operate for profit or not for profit.

22 SEC. 4. Section 19334 of the Business and Professions Code
23 is amended to read:

24 19334. (a) State licenses to be issued by the Department of
25 Consumer Affairs are as follows:

26 (1) (A) “Dispensary,” Type 10 license as defined in this chapter.
27 This license shall allow for delivery pursuant to Section 19340.

28 (B) *A dispensary may be either of the following:*

29 (i) *“Storefront dispensary” for licensees that have a premises*
30 *with direct physical access for the public.*

31 (ii) *“Nonstorefront dispensary” for licensees that have a*
32 *premises that does not have a storefront with direct physical access*
33 *for the public.*

34 (2) “Distributor,” Type 11 license for the distribution of medical
35 cannabis and medical cannabis products from manufacturer to
36 dispensary. A distributor licensee shall hold a Type 12 or
37 transporter license. Each location where product is stored for the
38 purposes of distribution must be individually licensed. A distributor
39 licensee shall not hold a license in a cultivation, manufacturing,
40 dispensing, or testing license category and shall not own, or have

1 an ownership interest in, premises licensed in those categories
2 other than a security interest, lien, or encumbrance on property
3 that is used by a licensee. A distributor shall be bonded and insured
4 at a minimum level established by the licensing authority.

5 (3) (A) “Producing dispensary,” Type 10A for dispensers who
6 have no more than three licensed dispensary facilities and wish to
7 hold either a cultivation or manufacturing license or both. This
8 license shall allow for delivery where expressly authorized by local
9 ordinance. Each dispensary must be individually licensed.

10 (B) *A producing dispensary may be either of the following:*

11 (i) *“Storefront producing dispensary” for licensees that have*
12 *a premises with direct physical access for the public.*

13 (ii) *“Nonstorefront producing dispensary” for licensees that*
14 *have a premises that does not have a storefront with direct physical*
15 *access for the public.*

16 (4) “Transport,” Type 12 license for transporters of medical
17 cannabis or medical cannabis products between licensees. A Type
18 12 licensee shall be bonded and insured at a minimum level
19 established by the licensing authority.

20 (b) The bureau shall establish minimum security requirements
21 for the commercial transportation, storage, and delivery of medical
22 cannabis and medical cannabis products.

23 (c) The State Department of Public Health shall establish
24 minimum security requirements for the storage of medical cannabis
25 products at the manufacturing site.

26 (d) A licensed dispensary shall implement sufficient security
27 measures to both deter and prevent unauthorized entrance into
28 areas containing medical cannabis or medical cannabis products
29 and theft of medical cannabis or medical cannabis products at the
30 dispensary. These security measures shall include, but not be
31 limited to, all of the following:

32 (1) Preventing individuals from remaining on the premises of
33 the dispensary if they are not engaging in activity expressly related
34 to the operations of the dispensary.

35 (2) Establishing limited access areas accessible only to
36 authorized dispensary personnel.

37 (3) Storing all finished medical cannabis and medical cannabis
38 products in a secured and locked room, safe, or vault, and in a
39 manner as to prevent diversion, theft, and loss, except for limited

1 amounts of cannabis used for display purposes, samples, or
2 immediate sale.

3 (e) A dispensary shall notify the licensing authority and the
4 appropriate law enforcement authorities within 24 hours after
5 discovering any of the following:

6 (1) Significant discrepancies identified during inventory. The
7 level of significance shall be determined by the bureau.

8 (2) Diversion, theft, loss, or any criminal activity pertaining to
9 the operation of the dispensary.

10 (3) Diversion, theft, loss, or any criminal activity by any agent
11 or employee of the dispensary pertaining to the operation of the
12 dispensary.

13 (4) The loss or unauthorized alteration of records related to
14 medical cannabis or medical cannabis products, registered
15 qualifying patients, primary caregivers, or dispensary employees
16 or agents.

17 (5) Any other breach of security.

18 SEC. 5. Article 12 (commencing with Section 19349) is added
19 to Chapter 3.5 of Division 8 of the Business and Professions Code,
20 to read:

21
22 Article 12. Advertising and Marketing Restrictions
23

24 19349. For purposes of this article:

25 (a) “Advertise” means the publication or dissemination of an
26 advertisement.

27 (b) “Advertisement” includes any written or verbal statement,
28 illustration, or depiction that is calculated to induce sales of medical
29 cannabis or medical cannabis products, including any written,
30 printed, graphic, or other material, billboard, sign, or other outdoor
31 display, public transit card, other periodical literature, publication,
32 or in a radio or television broadcast, or in any other media; except
33 that “advertisement” shall not include either of the following:

34 (1) Any label affixed to any medical cannabis or medical
35 cannabis products, or any individual covering, carton, or other
36 wrapper of that container that constitutes a part of the labeling
37 under provisions of this chapter.

38 (2) Any editorial or other reading material, such as a news
39 release, in any periodical or publication or newspaper for the
40 publication of which no money or valuable consideration is paid

1 or promised, directly or indirectly, by any licensee, and that is not
2 written by or at the direction of the licensee.

3 (c) “Advertising sign” is any sign, poster, display, billboard, or
4 any other stationary or permanently affixed advertisement
5 promoting the sale of medical cannabis or medical cannabis
6 products that are not cultivated, manufactured, distributed, or sold
7 on the same lot.

8 (d) “Market” or “Marketing” means any act or process of
9 promoting or selling medical cannabis or medical cannabis
10 products, including, but not limited to, sponsorship of sporting
11 events, point-of-sale advertising, and development of products
12 specifically designed to appeal to certain demographics.

13 19349.1. (a) All advertisements and marketing shall accurately
14 and legibly identify the entity responsible for its content.

15 (b) Any advertisements or marketing placed in broadcast, cable,
16 radio, print, and digital communications shall be displayed only
17 where at least 71.6 percent of the audience is reasonably expected
18 to be 21 years of age or older, as determined by reliable, up-to-date
19 audience composition data.

20 (c) Any advertisements or marketing involving direct,
21 individualized communication or dialogue shall utilize a method
22 of age affirmation to verify that the recipient is 21 years of age or
23 older prior to engaging in that communication or dialogue. For
24 purposes of this section, that method of age affirmation may
25 include user confirmation, birth date disclosure, or other similar
26 registration method.

27 (d) All advertising shall be truthful and appropriately
28 substantiated.

29 19349.2. An entity shall not do any of the following:

30 (a) Advertise or market in a manner that is false or untrue in
31 any material particular, or that, irrespective of falsity, directly, or
32 by ambiguity, omission, or inference, or by the addition of
33 irrelevant, scientific, or technical matter, tends to create a
34 misleading impression.

35 (b) Publish or disseminate advertisements or marketing
36 containing any statement concerning a brand or product that is
37 inconsistent with any statement on the labeling thereof.

38 (c) Publish or disseminate advertisements or marketing
39 containing any statement, design, device, or representation that
40 tends to create the impression that the medical cannabis originated

1 in a particular place or region, unless the label of the advertised
2 product bears an appellation of origin, and that appellation of origin
3 appears in the advertisement.

4 (d) Advertise or market on a billboard or similar advertising
5 device located on an interstate highway or state highway.

6 (e) Advertise or market medical cannabis or medical cannabis
7 products in a manner intended to encourage persons under the age
8 of 21 years to consume medical cannabis or medical cannabis
9 products.

10 (f) Publish or disseminate advertisements or marketing
11 containing symbols, language, music, gestures, cartoon characters,
12 or other content elements known to appeal primarily to minors.

13 (g) Advertise or market medical cannabis or medical cannabis
14 products on an advertising sign within 1,000 feet of a day care
15 center, school providing instruction in kindergarten or any grades
16 1 through 12, playground, or youth center.

17 19349.3. An entity shall not give away any amount of medical
18 cannabis or medical cannabis products, or any medical cannabis
19 accessories, as part of a business promotion or other commercial
20 activity.

21 19349.4. An entity shall not publish or disseminate
22 advertisements or marketing containing any statement that is untrue
23 in any particular manner or tends to create a misleading impression
24 as to the effects of medical cannabis consumption.

25 19349.5. (a) Subdivision (g) of Section 19349.2 shall not apply
26 to the placement of advertising signs inside a licensed premises
27 and that are not visible by normal unaided vision from a public
28 place, provided that those advertising signs do not advertise
29 medical cannabis or medical cannabis products in a manner
30 intended to encourage persons under the age of 21 years to consume
31 medical cannabis or medical cannabis products.

32 (b) This article does not apply to any noncommercial speech.

33 SEC. 6. Section 26070 of the Business and Professions Code
34 is amended to read:

35 26070. Retailers and Distributors.

36 (a) State licenses to be issued by the Department of Consumer
37 Affairs are as follows:

38 (1) (A) "Retailer," for the retail sale and delivery of marijuana
39 or marijuana products to customers.

40 (B) *A retailer may be either of the following:*

1 (i) “Storefront retailer” for licensees that have a premises with
2 direct physical access for the public.

3 (ii) “Nonstorefront retailer” for licensees that have a premises
4 that does not have a storefront with direct physical access for the
5 public.

6 (2) “Distributor,” for the distribution of marijuana and marijuana
7 products. A distributor licensee shall be bonded and insured at a
8 minimum level established by the licensing authority.

9 (3) “Microbusiness,” for the cultivation of marijuana on an area
10 less than 10,000 square feet and to act as a licensed distributor,
11 Level 1 manufacturer, and retailer under this division, provided
12 such licensee complies with all requirements imposed by this
13 division on licensed cultivators, distributors, Level 1 manufacturers,
14 and retailers to the extent the licensee engages in such activities.
15 Microbusiness licenses that authorize cultivation of marijuana
16 shall include conditions requested by the Department of Fish and
17 Wildlife and the State Water Resources Control Board to ensure
18 that individual and cumulative effects of water diversion and
19 discharge associated with cultivation do not affect the instream
20 flows needed for fish spawning, migration, and rearing, and the
21 flow needed to maintain flow variability, and otherwise protect
22 fish, wildlife, fish and wildlife habitat, and water quality.

23 (b) The bureau shall establish minimum security and
24 transportation safety requirements for the commercial distribution
25 and delivery of marijuana and marijuana products. The
26 transportation safety standards established by the bureau shall
27 include, but not be limited to, minimum standards governing the
28 types of vehicles in which marijuana and marijuana products may
29 be distributed and delivered and minimum qualifications for
30 persons eligible to operate such vehicles.

31 (c) Licensed retailers and microbusinesses, and licensed
32 nonprofits under Section 26070.5, shall implement security
33 measures reasonably designed to prevent unauthorized entrance
34 into areas containing marijuana or marijuana products and theft
35 of marijuana or marijuana products from the premises. These
36 security measures shall include, but not be limited to, all of the
37 following:

38 (1) Prohibiting individuals from remaining on the licensee’s
39 premises if they are not engaging in activity expressly related to
40 the operations of the dispensary.

1 (2) Establishing limited access areas accessible only to
2 authorized personnel.

3 (3) Other than limited amounts of marijuana used for display
4 purposes, samples, or immediate sale, storing all finished marijuana
5 and marijuana products in a secured and locked room, safe, or
6 vault, and in a manner reasonably designed to prevent diversion,
7 theft, and loss.

8 SEC. 7. Section 26151 of the Business and Professions Code
9 is amended to read:

10 26151. (a) All advertisements and marketing shall accurately
11 and legibly identify the ~~licensee~~ *entity* responsible for its content.

12 (b) Any advertising or marketing placed in broadcast, cable,
13 radio, print and digital communications shall only be displayed
14 where at least 71.6 percent of the audience is reasonably expected
15 to be 21 years of age or older, as determined by reliable, up-to-date
16 audience composition data.

17 (c) Any advertising or marketing involving direct, individualized
18 communication or dialogue ~~controlled by the licensee~~ shall utilize
19 a method of age affirmation to verify that the recipient is 21 years
20 of age or older prior to engaging in such communication or
21 ~~dialogue controlled by the licensee.~~ *dialogue*. For purposes of this
22 section, such method of age affirmation may include user
23 confirmation, birth date disclosure, or other similar registration
24 method.

25 (d) All advertising shall be truthful and appropriately
26 substantiated.

27 SEC. 8. Section 26152 of the Business and Professions Code
28 is amended to read:

29 26152. No ~~licensee~~ *entity* shall:

30 (a) Advertise or market in a manner that is false or untrue in
31 any material particular, or that, irrespective of falsity, directly, or
32 by ambiguity, omission, or inference, or by the addition of
33 irrelevant, scientific or technical matter, tends to create a
34 misleading impression;

35 (b) Publish or disseminate advertising or marketing containing
36 any statement concerning a brand or product that is inconsistent
37 with any statement on the labeling thereof;

38 (c) Publish or disseminate advertising or marketing containing
39 any statement, design, device, or representation which tends to
40 create the impression that the marijuana originated in a particular

1 place or region, unless the label of the advertised product bears an
2 appellation of origin, and such appellation of origin appears in the
3 advertisement;

4 (d) Advertise or market on a billboard or similar advertising
5 device located on an ~~Interstate Highway or State Highway which~~
6 ~~crosses the border of any other state~~; *interstate highway or state*
7 *highway*;

8 (e) Advertise or market marijuana or marijuana products in a
9 manner intended to encourage persons under the age of 21 years
10 to consume marijuana or marijuana products;

11 (f) Publish or disseminate advertising or marketing containing
12 symbols, language, music, gestures, cartoon characters or other
13 content elements known to appeal primarily to persons below the
14 legal age of consumption; or

15 (g) Advertise or market marijuana or marijuana products on an
16 advertising sign within 1,000 feet of a day care center, school
17 providing instruction in kindergarten or any grades 1 through 12,
18 playground, or youth center.

19 SEC. 9. Section 26153 of the Business and Professions Code
20 is amended to read:

21 26153. No ~~licensee~~ *entity* shall give away any amount of
22 marijuana or marijuana products, or any marijuana accessories, as
23 part of a business promotion or other commercial activity.

24 SEC. 10. Section 26154 of the Business and Professions Code
25 is amended to read:

26 26154. No ~~licensee~~ *entity* shall publish or disseminate
27 advertising or marketing containing any health-related statement
28 that is untrue in any particular manner or tends to create a
29 misleading impression as to the effects on health of marijuana
30 consumption.

31 SEC. 11. Section 11362.775 of the Health and Safety Code is
32 amended to read:

33 11362.775. (a) Subject to subdivision (d), qualified patients,
34 persons with valid identification cards, and the designated primary
35 caregivers of qualified patients and persons with identification
36 cards, who associate within the State of California in order
37 collectively or cooperatively to cultivate cannabis for medical
38 purposes, shall not solely on the basis of that fact be subject to
39 state criminal sanctions under Section 11357, 11358, 11359, 11360,
40 11366, 11366.5, or 11570. *A collective or cooperative that operates*

1 *pursuant to this section may operate for profit or not for profit. A*
2 *collective or cooperative that operates for profit shall retain the*
3 *protections of this section only if it possesses a valid seller's permit*
4 *from the State Board of Equalization and a valid local license,*
5 *permit, or other authorization.*

6 (b) A collective or cooperative that operates pursuant to this
7 section and manufactures medical cannabis products shall not,
8 solely on the basis of that fact, be subject to state criminal sanctions
9 under Section 11379.6 if the collective or cooperative abides by
10 all of the following requirements:

11 (1) The collective or cooperative does either or both of the
12 following:

13 (A) Utilizes only manufacturing processes that are either
14 solventless or that employ only nonflammable, nontoxic solvents
15 that are generally recognized as safe pursuant to the federal Food,
16 Drug, and Cosmetic Act (21 U.S.C. Sec. 301 et seq.).

17 (B) Utilizes only manufacturing processes that use solvents
18 exclusively within a closed-loop system that meets all of the
19 following requirements:

20 (i) The system uses only solvents that are generally recognized
21 as safe pursuant to the federal Food, Drug, and Cosmetic Act (21
22 U.S.C. Sec. 301 et seq.).

23 (ii) The system is designed to recapture and contain solvents
24 during the manufacturing process, and otherwise prevent the
25 off-gassing of solvents into the ambient atmosphere to mitigate
26 the risks of ignition and explosion during the manufacturing
27 process.

28 (iii) A licensed engineer certifies that the system was
29 commercially manufactured, safe for its intended use, and built to
30 codes of recognized and generally accepted good engineering
31 practices, including, but not limited to, the American Society of
32 Mechanical Engineers (ASME), the American National Standards
33 Institute (ANSI), Underwriters Laboratories (UL), the American
34 Society for Testing and Materials (ASTM), or OSHA Nationally
35 Recognized Testing Laboratories (NRTLs).

36 (iv) The system has a certification document that contains the
37 signature and stamp of a professional engineer and the serial
38 number of the extraction unit being certified.

1 (2) The collective or cooperative receives and maintains
2 approval from the local fire official for the closed-loop system,
3 other equipment, the extraction operation, and the facility.

4 (3) The collective or cooperative meets required fire, safety,
5 and building code requirements in one or more of the following:

6 (A) The California Fire Code.

7 (B) The National Fire Protection Association (NFPA) standards.

8 (C) International Building Code (IBC).

9 (D) The International Fire Code (IFC).

10 (E) Other applicable standards, including complying with all
11 applicable fire, safety, and building codes in processing, handling,
12 and storage of solvents or gasses.

13 (4) The collective or cooperative is in possession of a valid
14 seller's permit issued by the State Board of Equalization.

15 (5) The collective or cooperative is in possession of a valid local
16 license, permit, or other authorization specific to the manufacturing
17 of medical cannabis products, and in compliance with any
18 additional conditions imposed by the city or county issuing the
19 local license, permit, or other authorization.

20 (c) For purposes of this section, "manufacturing" means
21 compounding, converting, producing, deriving, processing, or
22 preparing, either directly or indirectly by chemical extraction or
23 independently by means of chemical synthesis, medical cannabis
24 products.

25 (d) This section shall remain in effect only until one year after
26 the Bureau of ~~Medical Cannabis Regulation~~ *Marijuana Control*
27 posts a notice on its Internet Web site that the licensing authorities
28 have commenced issuing licenses pursuant to the Medical Cannabis
29 Regulation and Safety Act (Chapter 3.5 (commencing with Section
30 19300) of Division 8 of the Business and Professions Code).

31 (e) This section is repealed one year after the date upon which
32 the notice is posted pursuant to subdivision (d).

33 SEC. 12. The sum of three million dollars (\$3,000,000) is
34 hereby advanced as a loan from the General Fund to the
35 Department of the California Highway Patrol for use in the
36 2017–18 fiscal year for the purposes described in subdivision (c)
37 of Section 34019 of the Revenue and Taxation Code. Moneys
38 advanced pursuant to this section shall be repaid from California
39 Marijuana Tax Fund.

1 SEC. 13. The Legislature finds and declares that this act
2 furtheres the purposes and intent of the Control, Regulate and Tax
3 Adult Use of Marijuana Act.

O